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Incentive Marketing

A BILL PUBLICATION

INCORPORATING INCENTIVE TRAVEL

- Aging baby boomers: What marketers need to know
- Consumer promotion survey
- Ideas for show buyers

INCENTIVE MARKETING

May 1987

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Cover:
Kurt Merkel

Shopping for bargains in Mexico. See page 118.

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Direct premiums are expected to lead an upturn in consumer promotion usage this year.

FACTS UPDATE

Consumer premiums have taken a turn for the better after a no-growth year in 1986. Early estimates from marketers show a pickup this year, mainly in direct premiums.

The trend suggested by **Incentive Marketing**'s survey would bring a 7.1 percent increase in expenditures by manufacturers and distributors this year. The projected growth is unevenly split, ranging from direct premiums' jump of 10.4 percent to mail-ins' gain of only 4.1 percent.

Last year's consumer promotion spending rose only 1.6 percent over 1985, and the automotive industries were partly responsible. Automobiles and trucks cut expenditures by 53 percent, as the car manufacturers spent most of the year giving money away in one form or another. These marketers are normally small users of consumer promotion, however. Manufacturers of auto parts, tires and accessories rank among the 10 largest consumer premium users. In 1986, spending in the "aftermarket" was down an estimated 15.5 percent—a cut of more than $15 million.

Food products makers, by far the largest user of consumer premiums, stayed on the positive side last year—but with a relatively weak advance of 4.5 percent. The largest percentage gainers were electric appliances (up 13.4 percent) and heating and air conditioning (up 13.3 percent), spending $5 million more between them.

Overall, 13 of the 32 tabulated industry categories showed a drop in consumer premium offers, eight of them by more than 10 percentage points from their 1985 expenditures.

Self-liquidators were weak in 1986: Outlays for this most-used type of consumer incentive declined an estimated 0.3 percent. Filling out the ranks in order of expenditures were direct premiums (given with purchase but separate from the product), up 2.8

TOP 10 CONSUMER PREMIUM USERS (1986)

FACTS UPDATE

Consumer promotion spending rose only 1.6 percent last year, thanks to deep cuts by the automotive industries.

percent; free mail-in offers, up 5 percent; factory packs, up 0.1 percent; coupon plans, down 1.9 percent, and sweepstakes/contests, up 6.8 percent.

This year's survey is based on responses from 150 users of consumer incentives. The projection of usage trends is based on year-to-year comparisons of those who supplied figures for 1986 expenditures and 1987 plans.

The projected 4.1 percent increase in mail-in offers shows both free mail-ins and sweepstakes/contests doing moderately well, with increases of 5.7 percent and 5.5 percent over the 1986 pace. But self-liquidators are slipping even more in users' plans: Their 1987 estimates are down 2.5 percent from the same users' actual experience last year.

The respondents see other consumer promotions picking up rather strongly, with direct premiums rising 14 percent, factory-packs up 10.8 percent and coupon plans up 5.4 percent.

The results gained from consumer promotion, as measured by increases in sales at retail, fell to an average of 18.8 percent in 1986, after two years above 20 percent. This year's report is virtually unchanged at 18.7 percent. The median for both years is 15 percent.

Another measurement of results is the promotion's effect on the use of display materials. For many marketers, this is the most significant element in getting the product to the consumer. Although overall usage of display materials dropped to an average of 51 percent this year from 56 percent, the average gain in usage during promotions is 38 percent, up from 32 percent a year ago.

Not all marketers rely on display to advertise their premium offers. In fact, point-of-purchase is a key medium for only 37 percent of the users in this survey—ranking it third, compared with second a year ago.

The top pick is direct mail, employed by 59 percent, and second choice goes to newspapers, 40 percent. Usage of all other media for consumer premium offers is relatively minor: television or radio, 19 percent; trade publications, 16 percent; package advertising, 14 percent; consumer magazines, 14 percent; Sunday supplements, 11 percent, and other media, 13 percent. Multiple answers indicate that well over two media types are used by the typical advertiser.

Measuring a promotion by numerical response to the advertising can be an inexact matter for most users, and statistics are thus rather scarce. On the basis of the information supplied by those who have it, results this year are somewhat

CONSUMER PREMIUMS: WHAT THEY CAN DO

(% OF USERS IN 1987 SURVEY WHO CONSIDER EACH TECHNIQUE MOST EFFECTIVE FOR REACHING EACH GOAL)

	GET SHELF ATTENTION		SELL-IN TO DEALERS		BOOST REPEAT SALES	
BEST	DIRECT PREMIUM	14%	DIRECT PREMIUM	19%	COUPON PLAN	17%
	FACTORY-PACK	14	FREE MAIL-IN	9	DIRECT PREMIUM	16
					FREE MAIL-IN	16
WORST	SELF-LIQUIDATOR	2%	SWEEPSTAKES	3%	SELF-LIQUIDATOR	2%
					SWEEPSTAKES	2
	SALES TALKING POINT		**BUILD USER GOOD WILL**		**GAIN AD READERSHIP**	
BEST	DIRECT PREMIUM	16%	DIRECT PREMIUM	16%	FREE MAIL-IN	19%
	FREE MAIL-IN	9	SELF-LIQUIDATOR	13	COUPON PLAN	16
	COUPON PLAN	9				
WORST	FACTORY-PACK	2%	SWEEPSTAKES	5%	FACTORY-PACK	2%
	OBTAIN STORE DISPLAYS		**SAMPLE NEW USERS**		**COST-EFFECTIVENESS**	
BEST	DIRECT PREMIUM	31%	DIRECT PREMIUM	17%	DIRECT PREMIUM	16%
	FREE MAIL-IN	11	FREE MAIL-IN	16	SELF-LIQUIDATOR	11
			COUPON PLAN	16	COUPON PLAN	11
WORST	SELF-LIQUIDATOR	2%	SWEEPSTAKES	3%	FACTORY-PACK	6%

FACTS UPDATE

more favorable than in the past. We asked users for their response per 1,000 advertising impressions on three types of mail-in promotion—self-liquidators under $10, self-liquidators at $10 or more, and free mail-in offers.

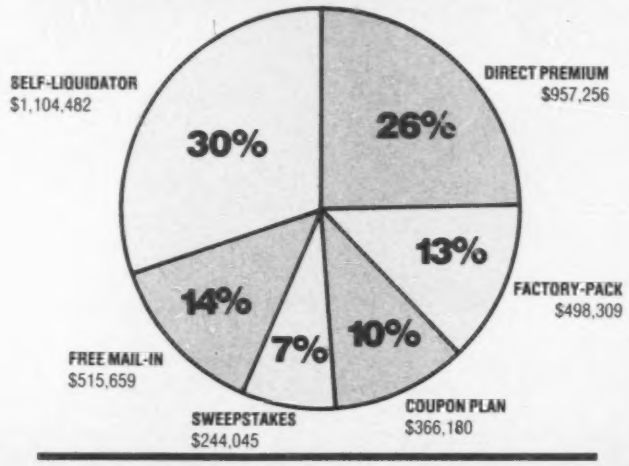
With the lower-priced liquidators, the median report is 20 per 1,000 from point-of-purchase displays; 18 from print advertising, and only three from package advertising. Response to the over-$10 offers drop to 15 per 1,000 from displays; 10 per 1,000 from print ads, and two from packages. Free mail-in offers brought a median of 20 responses per 1,000 impressions for all three media. In all categories, the return this year was slightly better than the reports in the 1986 survey.

The median number of direct premium promotions run yearly was three for the typical company —the same as last year. Mail-ins rose to a median of three from last year's two. Most users concentrate on one variety or the other: 53 percent said they use mail-ins, while 71 percent conduct direct premium programs. Only 24 percent use both types.

Those who use mail-in self-liquidators have pushed the price limits quite a bit higher. The average price comes to $13.93, compared with $9.53 a year ago. And the median rose to $9.95 from $5.95. Yet users' perception of the upper

1986 CONSUMER PREMIUM USAGE

ESTIMATED EXPENDITURES FOR 6 PRINCIPAL TYPES (000 OMITTED)



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MARRIOTT'S Castle Harbour
A BERMUDA RESORT

Circle No. 155 on Buyer Action Card

FACTS UPDATE

limits is more conservative this year. These executives believe that the average price at which response will drop significantly is $24.35, whereas surveys in the past two years showed averages over $35. The median of this year's reports is $15.

While they are asking higher prices, this year's users are subsidizing their offers more. They state that the price to the consumer covers an average of 75 percent of the premium's cost, compared with 85 percent last year and 93 percent in 1985.

On the other hand, the "price" is not really the total price in most cases. A full 84 percent of this year's survey group ask for separate amounts to cover shipping and handling. That figure has been rising steadily—from 25 percent in 1983 to 53 percent last year.

A factor that moves some users to add on "handling" charges is the perception of a retail value and the desire to make the premium look like more of a bargain than it really is. For a number of years, the practice of stating retail values in advertising declined substantially. But it is back up again—to 69 percent in the present survey. Two years ago, the last time the question was asked, 56 percent advertised value claims.

Both direct premiums and factory-packs are expected to show increases of better than 10 percent this year.

Users place a high value on a direct tie-in of premium to product. We asked if they prefer that the premium be related in use to the product, and 63 percent answered "yes." Also, 58 percent said they favor premiums customized to the product. Two years ago, 52 percent wanted related premiums and 55 percent favored customizing. While most users seek a thematic tie-in between a premium and product, so many asking for items "related in use" seems unusual.

This relationship is common to both the self-liquidator and the free mail-in, but the free offer also involves economics that can limit the horizon for related or customized items. The common denominator for free offers is unit cost as a percentage of consumer purchase required. Users' estimates reached a new high this year, jumping to 26.2 percent from 15.9 percent.

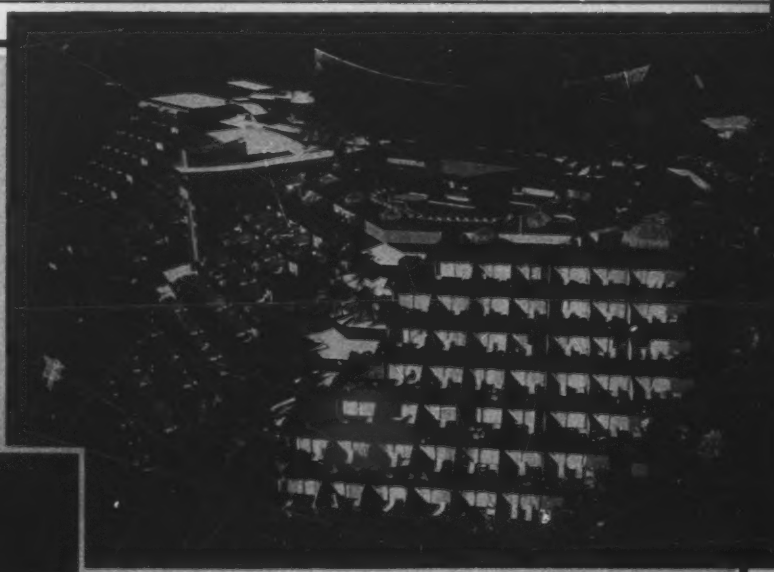
At the same time, the number of proofs of purchase required remains fairly constant. The present survey shows an average of 2.7; for four years, this number ranged between two and three.

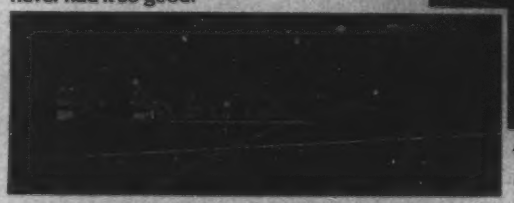
Rapidly rising costs are affecting factory-pack premiums—on-pack, in-pack or reusable container. This year, users reported an

TAHITI

THE CLASSIC REWARD

Tahiti. Inspiration to artists and travelers for two centuries. Today, it inspires images of what incentives are all about. At the Hotel Tahara'a, Tahiti's premiere resort, incentives never had it so good!





Above, Hotel Tahara'a, Papeete, Tahiti

Left, Hotel Bora Bora, Nunue, Bora Bora

Our 200 rooms and suites, complete with deluxe amenities, are terraced into a rugged cliff, each with a spectacular view across the sea to the island of Moorea. Leisure calls from the private beach club below on beautiful Matavai Bay. Above, in a setting of ironwood trees, we offer meeting and conference rooms with state-of-the-art equipment for presentations, banquets and theme parties. Send your best to Tahiti's best. Cadillac did. Oldsmobile did. So did Vivitar and Aetna.

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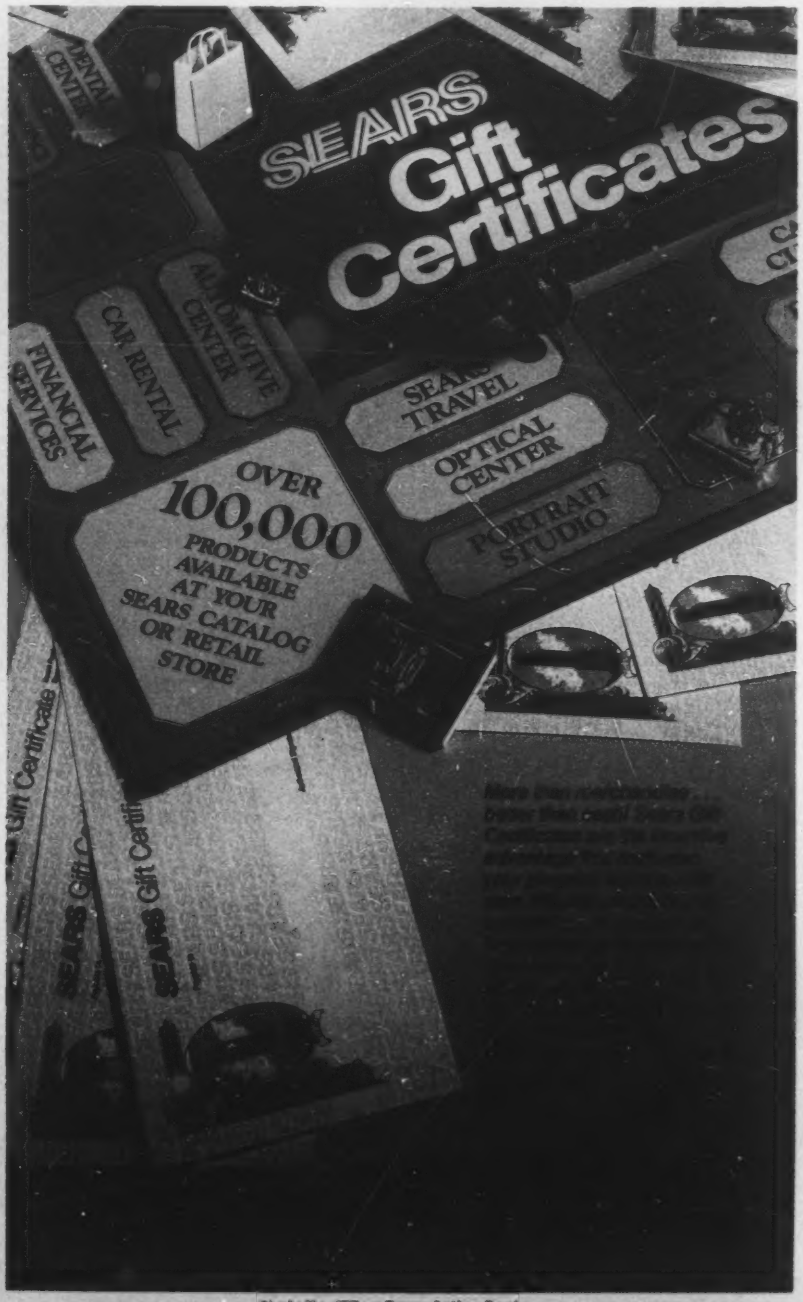
HOTEL TAHARA'A
Tahiti's Most Spectacular Resort

Circle No. 133 on Buyer Action Card

FACTS UPDATE

Users report sales increases of nearly 20 percent during promotion periods.



average unit cost of 24.1 percent of package purchase price. This has been climbing since 1984's report of 10.9 percent.

Despite the sharp increases in costs of mail-ins and factory-packs, a bare majority of surveyed executives favors testing of promotions—52 percent, which is two points lower than last year's report. With direct premiums, however, there has been an increase in testing—favored by 60 percent, up from 53 percent a year ago.

Since a complete market test is seldom possible, marketers use a variety of methods to get some reading of consumer response. The consistent favorite is a personal-interview test designed to measure item acceptance, value perception, intention to buy and other factors. The personal interview is the choice of 51 percent of survey respondents who conduct tests.

There is a three-way tie for second place: consumer panel, single offer mailed to sample group, and mail questionnaire presenting a choice of items. Each is favored by 23 percent of users. Other methods include bounce-back offers, 8 percent; newspaper split run, 7 percent; store panel test, 6 percent, and package inserts, 6 percent.

Self-liquidators continue to be weak, due in part to cost increases. The average price to consumers is $13.93, up from $9.53 a year ago, and it covers only 75 percent of the premium's cost.

Assuming that a test shows general acceptance of a premium item, the next step is forecasting response with some reasonable degree of accuracy. The marketers in this survey indicate that their results in that respect are a little better than in the past: plus or minus 19 percent on average, compared with 22 percent last year. Their satisfaction with the degree of accuracy achieved through tests is a little higher as well: 71 percent say they are satisfied, compared with 64 percent last year.

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Circle No. 177 on Buyer Action Card

BABY BOOMERS

CONTINUED FROM PAGE 56

could make services all the more effective.

Another consumer dimension that Barnett considers critical is attitude towards the home. The advances and proliferation of home entertainment equipment is splitting consumers into two distinct types: those who spend their leisure time outside of the home and those who consider home their entertainment center, Barnett said.

Desire to make the home as ideal and self-contained as possible will make the latter group covet the latest in electronics, appliances and furnishings.

How else can you reach baby boomers?

• Use market research to identify people with individual retirement accounts. The median net worth of someone with an IRA is $75,000, compared with the $23,000 median for all households, according to Gary S. Cohen, product manager at Market Facts Inc., Chicago.

The median net worth of someone with an IRA is $75,000, compared with the $23,000 median for all households.

• Use products with an affluent image. French champagne shipments reportedly increased more than 50 percent over the last three years. Caviar consumption is up, too.

• Individualize promotions. Take a lesson from the trend in fashion advertising copy, as noted in ads which recently appeared in the New York Times Magazine: "The way I see myself..." (Nilani Ltd.); "I find myself more and more beautiful..." (Rodier Paris), and "The most envied sense a woman can develop is her sense of style," (Diane Von Furstenberg). ■

CONSUMER FACTS

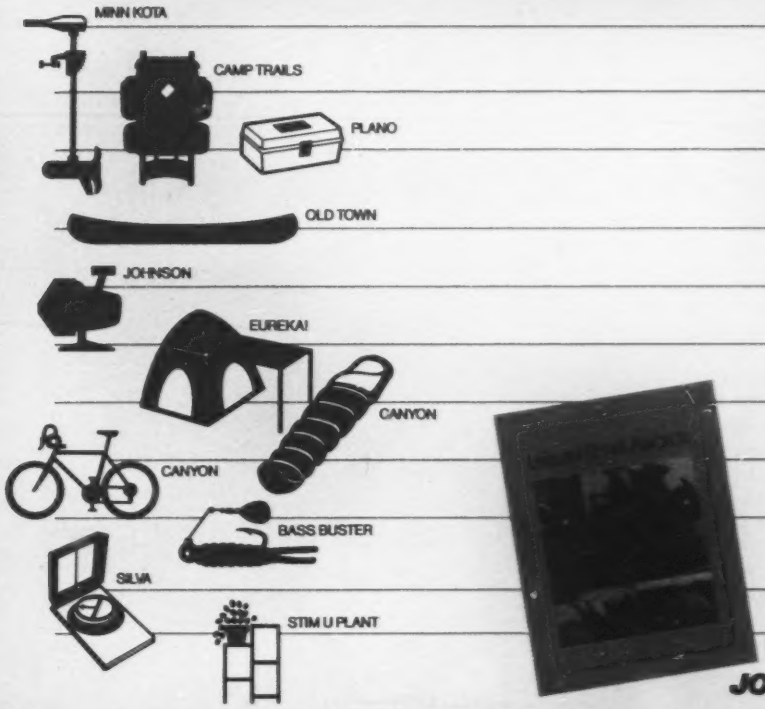
CONTINUED FROM PAGE 68

In most companies, a number of people participate in the decision-making process that leads to the purchase of premiums and planning of the promotion. The person having the last word is usually the top executive.

That is the case with consumer premium promotions but not by so wide a margin as in the case of trade promotion. Here the president, chief executive officer, executive vice president or general manager makes the final decision for 56 percent of the users. A fairly strong second is a director of sales or marketing, who has the say at 28 percent of the companies. Advertising or promotion managers decide in 8 percent, and the remaining 8 percent are product or merchandising managers.

The ratings of consumer promotion types against major objectives tend to vary quite a bit from survey to survey. The six varieties

Leisure Made Easy.



Our 4-page outdoor leisure incentive catalog reads like a Who's Who in great leisure products. Personalize the cover with your incentive program name and it's ready to go! Or choose individual items to fit your theme.

Outdoor leisure products are inviting incentives. And Johnson Leisure Incentives has the most inviting brands.

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A POTENTIAL PROFITS GROUP AFFILIATE

Circle No. 138 on Buyer Action Card

Free mail-ins earn a median of 20 responses per 1,000 advertising impressions.

are subject to great variation among users in different industries with different markets. Most often, however, the results are fairly consistent in one respect: They always show the direct premium to be the primary choice for most purposes.

This year, the direct premium tops the voting in seven of nine objectives—one more than last year. In order of response, these include obtaining store displays, sell-in to dealers, sampling new users, cost effectiveness, sales talking point, building user good will and getting shelf attention. The direct premium runs an extremely close second to the coupon plan in boosting repeat sales, and it is out of the running only in gaining ad readership, which is the domain of the free mail-in.

The outlook for direct premiums—14 percent growth, as users see it now—is almost double the projection for the total field. However, both figures may turn out to be optimistic. A year ago, survey respondents were relatively bullish, too—but the year ended with very little movement. ■

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EMERSON

Circle No. 179 on Buyer Action Card

AD SPECIALTIES

CONTINUED FROM PAGE 108

president of the Promotional Resources Group in Milwaukee.

Most ad specialties based on original ad campaign themes are developed by specialty distributors like Storin's organization. The ad agency responsible for the campaign usually plays a secondary role in supporting the ad specialty program, leaving the specialty firm to work directly with the client.

"There has traditionally been a rivalry between ad agencies and ad specialty companies," SAAI's Olson said. "Ad agencies like to position themselves as full-service companies."

The rivalry extends into creative design. "Ad agencies want total control of ideas," said Marjorie Caballero, a marketing research professor at Baylor University in Waco, Texas, who recently completed a study on the relationship between ad agencies and ad specialty firms for SAAI. "As a result, most ad specialty companies working with large and small agencies are really nothing more than order takers."

Olson sees more ad agencies recognizing the value of using ad specialities to support their ad campaigns—even to the point of forming their own ad specialty departments. "Still, the vast majority of them use specialty advertising distributors," he said. "Distributors are better able to stay on top of all the changes and new products available on the market." ■